

**LEKWA TEEMANE
LOCAL MUNICIPALITY**



ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2009

LEKWA TEEMANE LOCAL MUNICIPALITY

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LEKWA TEEMANE LOCAL MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE MAYORAL COMMITTEE

Clr K. M. Segalo (Mayor)
Clr K. J. Bojong (ME)
Clr A. Buys (ME)
Clr K. L. Duiker (ME)
Clr M. P. Letebele
Clr I. M. Mabala
Clr R. M. Makodi (ME)
Clr D. J. Muller
Clr G. Pencil (ME)
Clr W. B. Percival
Clr K. L. Modise (ME)

GRADING OF THE LOCAL MUNICIPALITY

Grade 5

AUDITORS

Auditor-General

BANKERS

ABSA

REGISTERED OFFICE

Corner Dirkie Uys & Robyn Street
CHRISTIANA
2680

P. O. Box 13
CHRISTIANA
2680

Tel: 053 441 2206/8
Fax No: 053 441 3755

MUNICIPAL MANAGER

Mr. M. A. Makuapane

CHIEF FINANCIAL OFFICER

Mr. K. T. Makhale

LEKWA TEEMANE LOCAL MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS - 30 JUNE 2009

As Accounting Officer, in terms of section 126(1)(a) of the Municipal Finance Management Act no 56 of 2003, I am responsible for the preparation of the annual financial statements as set out on pages 6 to 24 and which I have signed on the behalf of the Lekwa -Teemane Local Municipality.

I certify, in terms of section 124(1) of the Municipal Finance Management Act, that the salaries, allowances and benefits of Councillors as disclosed in the notes to the annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act(20 of 1998) and determination by Minister of Cooperative Governance and Traditional Affairs in terms of the said Act.

Mr. K. T. Makhale
ACTING MUNICIPAL MANAGER
(ACCOUNTING OFFICER)

31 AUGUST 2009

LEKWA TEEMANE LOCAL MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER

1. INTRODUCTION

To the best of my knowledge and based on the financial records of the Lekwa Teemane Local Municipality, the annual financial statements fairly presents the state affairs of the municipality, its performance against budget, its management revenue, expenditure, assets and liabilities, its business activities, its financial results for the year ended 30 June 2009 and its financial position as at the end of the financial year ended on 30 June 2009. Amounts disclosed are in accordance with the financial records and the annual financial statements of the Municipality. Information provided does not contradict information disclosed in the annual financial statements.

2. OPERATING RESULTS

Details of operating results by classification, object of expenditure and department are set out in Appendices D & E. Pertinent statistics are reflected in Appendix F. The operating results for the year ended 30 June 2009 disclose a deficit of R45.8 million.

The overall results are shown in Section 9 of the Report.

3. CAPITAL EXPENDITURE

Capital expenditure in the current year amounted to R7,405,576 whilst it was R1,940,482.00 in the previous year. Current additions mainly relates to infrastructure related assets and leased assets, which were R4,079,927 and R1,957,409 respectively. These assets are capitalised in the books of the municipality.

4. EXTERNAL LOANS

External loans taken from the Development Bank of South Africa and ABSA are not yet fully redeemed. The total loan balance at year end amounted to R20,637,649 and an amount of R11,360,900 will be repaid in the next financial year. Some of the amounts will be fully redeemed by 2015.

LEKWA TEEMANE LOCAL MUNICIPALITY

REPORT OF THE CHIEF FINANCIAL OFFICER

5. INVESTMENTS

On 30 June 2009 investments amounted to R1 229 982. All of these were money market investments with local financial institutions during the year. During the year R2 million was withdrawn from the investments account.

Average rate of return for the year was 8.9% (2008: 6.7%).

6. CASH

At 30 June 2009, cash at bank amounted to (R299 934) compared to prior year amount of (R14 549 406)

7. FUNDS AND RESERVES

At 30 June 2009, the balance in the trust fund account was R1,613,547. An amount of R8 374 000 was received in the 2008/2009 financial year. An amount of R8 260 453 was utilised in various approved capital and operational projects whilst R194 589 was written off during the year. Closing balance represents retentions and other projects that are in progress.

8. PROVISIONS

Provisions of R3,524,866 were made for in the R2008/2009 financial year.

LEKWA TEEMANE LOCAL MUNICIPALITY
REPORT OF THE CHIEF FINANCIAL OFFICER

9. TABLE OF OPERATING RESULTS

The overall operating results for Lekwa Teemane Local Municipality for the year ended 30 June 2009 are shown below:

Income	Actual 2007/2008	Actual 2008/2009	Variance %	Budget 2009	Variance Actual/ budget %
Opening Surplus	17 355 469.00	17 838 420.00	3	-	
Operating income	70 568 494.00	97 143 538.48	38	117 149 409	17
Closing Surplus/(Deficit)	3 472 494.00	14 144 290.86	307	-	
	91 396 457.00	129 126 249.34		117 149 409	
EXPENDITURE					
Opening Deficit	-	-		-	
Operating expenditure	73 558 037.00	142 934 947.91	94	116 757 419	(22)
Closing surplus	17 838 420.00	(13 808 698.57)			
	91 396 457.00	129 126 249.34		116 757 419	

The increase in operating income is mainly due revenue generated from assessment rates (increases effected during the current year), increases in traffic and licences as well as sewerage income.

The increase in operating expenditure is mainly due to a 20% increase on the following key transactions as well as the general inflationary levels

	Increase (%)
Salaries	8.00
Capital charges	3.00
Contribution to fixed assets	2.00
General expenditure	7.00
	<u>20.00</u>

The following are analysis of the key operational sections of the municipality

RATES AND GENERAL	Actual 2007/2008	Actual 2008/2009	Variance %	Budget 2009	Variance Actual/ budget
Income	38 765 386.00	58 877 136.77	52	76 530 705	23
Expenditure	40 421 807.00	102 799 903.43	154	79 229 968	(30)
Surplus/(Deficit)	(1 656 421.00)	(43 922 766.66)	2 552		

ELECTRICITY SERVICE	Actual 2007/2008	Actual 2008/2009	Variance %	Budget 2009	Variance Actual/ budget
Income	19 028 292.00	22 279 603.20	17	24 713 744	10
Expenditure	19 175 385.00	25 083 695.00	31	23 816 413	6
Surplus/(Deficit)	(147 093.00)	(2 804 091.80)	1 806	897 331	

WATER SERVICES	Actual 2007/2008	Actual 2008/2009	Variance %	Budget 2009	Variance Actual/ budget
Income	12 774 816.00	15 986 798.51	25	15 904 960	(1)
Expenditure	13 960 845.00	15 051 349.48	8	13 711 038	(10)
Surplus/(Deficit)	(1 186 029.00)	935 449.03	(179)	2 193 922	

11. APPRECIATION

My appreciation goes to the Mayor, Councillors, the Municipal Manager, Executive Managers, Managers and the staff for their support and co-operation received during the year

I wish to convey a special word of appreciation to all the staff members who assisted me during the compilation of the financial statements for their dedication and hard work, as well as to all the staff in the Finance department for their full support and dedication in all the operations of the Municipality.

K. T. MAKHALE
CHIEF FINANCIAL OFFICER
31 AUGUST 2009

LEKWA TEEMANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES

1. Basis of presentation

- 1.1 These financial statements have been prepared so as to conform to the standard laid down by the Institute of Municipal Treasurers and Accountants in its Code of Accounting Practice (1997) and the Report on Published Annual Financial Statements (Second Edition - January 1996)
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in note 2. The accounting policies are consistent with those applied in the previous year, except where otherwise indicated
- 1.3 The financial statements are prepared on the accrual basis as stated below:
 - (a) Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received, such as traffic fines and certain licences
 - (b) Expenditure is accrued in the year it is incurred.

2. Consolidation

The financial statements include rate and general services, trading services and the different funds and reserves. Interdepartmental charges are treated as income and expenditure in the following departments: Refuse Removal, Sewerage, Electricity, Irrigation and Water.

3. Fixed assets

- 3.1 Fixed assets are stated at historical cost and assets which have been acquired by donations, at valuation, based on the market price ruling as at the date of the donation being made.
- 3.2 Depreciation

The balance shown against the heading "Loans Redeemed" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:

 - (a) Appropriation from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
 - (b) Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 3.3 Financing

Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the services concerned at the ruling interest rate applicable at the time that the advance is made.

LEKWA TEEMANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES (Cont'd)

4. Inventory

Inventory is valued at the lower of cost, determined on FIFO basis, and net realisable value.

5. Funds and reserves

5.1. Capital Development Fund

The Capital Development Fund requires a minimum contribution of the defined income of a local municipality for the immediately preceding financial year as described by Ordinance 9 of 1978. The net operating surpluses after prior year adjustments are transferred to the Capital Development Fund.

5.2. Trust funds

Trust funds represent earmarked funds and include income and expenditure per fund as and when they occur. Trust funds must at all times be backed up by cash on hand and investments. Interest (if any) is annually calculated on proportional basis.

5.3. Land Trust Fund

The Land Trust Fund received contributions for the sale of Erven and interest on advances from the fund.

6. Retirement Benefits

The Lekwa-Teemane Municipality Employees contribute to the following funds: Joint Municipal Funds, Retirement Fund, SALA, S.N.P.F, IMATU Retirement Fund and the Municipal Gratuity Fund. Councillors contribute to the Councillors Retirement Fund, which provides retirement benefits to such employees and councillors.

The retirement benefit plans are subject to the Pensions Funds Act, 1956. Current contributions are charged against operating income on the basis of current service costs. Full actual valuations are performed at least every three years.

LEKWA TEEMANE LOCAL MUNICIPALITY

ACCOUNTING POLICIES

7. Surpluses and deficits

Any surpluses or deficits arising from the operation of electricity or water services are transferred to rate and general services.

The net operating surpluses after prior year adjustments are disclosed as retained income on the face of the balance sheet.

8. Income

Income comprises of the following, excluding VAT:

- 8.1 Water and Electricity
Meters on all properties are read and billed monthly using the approved tariffs.
- 8.2 Assessment Rates
Assessment Rates are levied on the land values based on the latest valuation roll.
- 8.3 Grants, Donations and Subsidies
Grants, donations and subsidies are recorded as and when it is received.

9. Investments

Investments comprise surplus funds that are invested at approved financial institutions at market related interest rates (Money Market Investments) and shares issued by pension funds. Money market investments may include funds earmarked for specific projects and operational surpluses.

The investments are shown at market value and are invested per Circular No. 26 of 1991 issued by the Provincial Administrator.

10. Leased assets

Fixed assets held under finance lease are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

11. Administration Charges

Administration expenses are recharged to the various services on the basis of estimated time spent and cost of facilities used.

12. Provisions

Provision is made for all known liabilities or expected losses which exist at the balance sheet date and which cannot be determined with accuracy. Provisions are charged to the respective services taking into account past expenditure and future probable expenditure.

LEKWA TEEMANE LOCAL MUNICIPALITY

BALANCE SHEET AS AT 30 JUNE 2009

	NOTE	2009 R	2008 R <u>(Restated)</u>
CAPITAL EMPLOYED			
FUNDS AND RESERVES		-	-
Statutory Funds	1	-	-
APPROPRIATION	15	(13 808 699)	17 838 420
TRUST FUNDS	2	1 613 547	(194 589)
HOUSING DEVELOPMENT FUND		-	299 888
LONG-TERM LIABILITY	3	9 276 749	9 932 050
CONSUMER DEPOSITS	4	957 029	899 575
		<u>(1 961 373)</u>	<u>28 775 344</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	5	4 083 586	3 519 650
INVESTMENTS	6	1 229 982	1 120 188
		5 313 568	4 639 838
NET CURRENT ASSETS		(7 274 942)	24 135 506
CURRENT ASSETS		72 507 685	91 608 373
Inventory	7	40 521	177 129
Trade and other receivables	8	72 459 780	91 423 520
Cash on Hand	20	7 385	7 724
CURRENT LIABILITIES		79 782 627	67 472 867
Trade and other payables	9	64 589 541	44 838 006
Provisions	10	3 524 866	588 072
Short term portion of Long term liability	3	11 360 901	7 489 659
Bank overdraft	20	307 319	14 557 130
		<u>(1 961 373)</u>	<u>28 775 344</u>

LEKWA TEEMANE LOCAL MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2009

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus (Deficit) R
38 745 946	40 421 807	(1 675 861)	LEVY AND GENERAL SERVICES	58 877 137	102 799 903	(43 922 767)
21 912 061	21 094 503	817 558	Community services	37 166 731	79 410 222	(42 243 491)
398 791	3 682 754	(3 283 963)	Subsidised services	339 821	4 980 689	(4 640 869)
16 435 094	15 644 550	790 544	Economic services	21 370 585	18 408 992	2 961 594
19 440	-	19 440	HOUSING SERVICES	-	-	-
31 803 108	33 136 230	(1 333 122)	TRADING SERVICES	38 266 402	40 135 044	(1 868 643)
70 568 494	73 558 037	(2 989 543)	TOTAL	97 143 538	142 934 948	(45 791 409)
		3 472 494	Prior Year Adjustment (See Note 26)			14 144 291
		482 951	Net Surplus for the year			(31 647 119)
		17 355 469	Beginning of the year			17 838 420
		17 838 420	Accumulated Surplus : end of the year			(13 808 699)

LEKWA TEEMANE LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED
30 JUNE 2009

	Notes	2009 R	2008 R
CASH RETAINED FROM OPERATING ACTIVITIES		20 241 849	(14 718 591)
Cash generated by operations	16	(21 291 211)	1 883 560
Interest paid	14	(371 922)	(67 713)
Penalty paid		(1 500)	-
Investment Income	14	117 805	247 892
(Increase)/decrease in working capital	17	41 788 678	(18 133 016)
		20 241 849	(16 069 277)
Cash contributions from public and the state		-	1 240 780
Insurance		-	109 906
Net proceeds on disposal of fixed assets		-	-
CASH UTILISED IN INVESTING ACTIVITIES			
Investment in fixed assets		(5 448 167)	(1 432 347)
NET CASH FLOW		14 793 682	(16 150 938)
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase in long-term loans	18	478 511	(3 756 719)
Decrease in Housing Development Fund		(299 888)	-
Net Decrease in Trust Funds		308 136	-
Increase in Consumer Deposit		57 454	(72 655)
Increase in cash investments	19	-	(1 915 348)
Increase/(Decrease) in cash & cash equivalent	20	14 249 472	(10 406 216)
		14 793 682	(16 150 938)

LEKWA TEEMANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009 R	2008 R (Restated)
1. STATUTORY FUNDS	-	-
The municipality does not have any Statutory Funds.		
2. TRUST FUNDS		
Finance Management Grant (FMG)	113 547	-
Boitumelong Ext 4	-	(58 849)
Utlwanang Housing	-	(135 740)
Municipal Systems Improvement Grant (MSIG)	-	-
Municipal Infrastructure Grant (MIG)	-	-
Utlwanang Library	1 500 000	-
	<u>1 613 547</u>	<u>(194 589)</u>
(Refer to appendix A for more detail)		
3. LONG TERM LIABILITY		
- Development Bank of South Africa (DBSA)	17 694 159	14 956 731
- ABSA Bank	1 943 490	2 464 978
- Dr Segomotsi Ruth Mompoti District Municipality	1 000 000	-
	<u>20 637 649</u>	<u>17 421 709</u>
Less: Portion transferred to current liability:	11 360 900	7 489 659
- DBSA (See Note 23)	10 299 581	6 968 170
- ABSA Bank	61 319	521 489
- Dr Segomotsi Ruth Mompoti District Municipality	1 000 000	-
	<u>9 276 749</u>	<u>9 932 050</u>

Development Bank of South Africa (DBSA) Loans

The loans carry interest at rates varying between 13.41% and 17.47% per annum and are repayable over the periods ranging from four years upwards. The last loan will be redeemed by 2015

As at 30 June 2009, R9,705,598 (2008: R6,356,652) was in arrears and the entire amount has been disclosed as a short-term portion.

ABSA Bank Loans

The loans carry interest at rates varying between 11.78% and 17.22% per annum and are repayable over the periods ranging from four years upwards.

Dr Segomotsi Ruth Mompoti District Municipality

The loan was advanced by the District Municipality as working capital. The loan, which is interest free, is overdue as the repayment date was 30 November 2008.

Some of the loans are secured by Lekwa Teemane Local Municipality's assets.

(Refer to Appendix B for more detail on long term liabilities)

LEKWA TEEMANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009, (continued)

	2009 R	2008 R (Restated)
4. CONSUMER DEPOSITS		
Electricity and Water	957 029	899 575
	<u>957 029</u>	<u>899 575</u>
5. FIXED ASSETS		
Fixed assets: Beginning of the year	39 627 647	38 312 179
Capital expenditure during the year	7 405 575	1 940 483
	<u>47 033 222</u>	<u>40 252 662</u>
Less: Assets written off, transferred or disposed of during the year	<u>(305 017)</u>	<u>(625 015)</u>
Total fixed assets	46 728 205	39 627 647
Less: Loans redeemed and other capital receipts	<u>42 644 619</u>	<u>36 107 997</u>
Net fixed assets	<u>4 083 586</u>	<u>3 519 650</u>

(Refer to Appendix C and section 2 of the Treasurer's report for more details on assets)

6. INVESTMENTS

Unlisted

Long term deposits	1 211 700	1 102 595
Shares	18 282	17 593
	<u>1 229 982</u>	<u>1 120 188</u>

Average gross rate of return on investment	8.9%	6.7%
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All long term deposits represents money market placements and they are done on an arms length transaction.

Investments worth R801,349 (2008: R758,839) were pledged as security for the Council's overdraft facility of R1,000,000 with ABSA Bank.

No investments were written off during the year.

7. INVENTORY

Consumables & Fuel	40 521	177 129
	<u>40 521</u>	<u>177 129</u>

LEKWA TEEMANE LOCAL MUNICIPALITY

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009,
(continued)**

	2009 R	2008 R (Restated)
8. TRADE AND OTHER RECEIVABLES		
Current debtors (consumer and other)	125 106 911	111 906 452
Sundry debtors	9 240 911	16 917 066
VAT	71 895	971 379
	<u>134 419 717</u>	<u>129 794 897</u>
Less: Provision for bad debts	<u>(61 959 937)</u>	<u>(38 371 377)</u>
	<u>72 459 780</u>	<u>91 423 520</u>
During the year R - (2008: R1,885,000) was written off.		
9. TRADE AND OTHER PAYABLES		
Trade creditors	58 650 891	39 460 487
Sundry Creditors	4 955 859	4 087 464
Money Received in Advance	982 791	1 262 697
Other Deposits	-	27 358
	<u>64 589 541</u>	<u>44 838 006</u>
10. PROVISIONS		
Leave Reserve	3 513 038	576 125
Crockery Townhall	11 828	11 947
	<u>3 524 866</u>	<u>588 072</u>
(Refer to Appendix A for more detail)		
11. ASSESSMENT RATES		
Residential, Commercial, State and Municipal	<u>5 969 862</u>	<u>5 374 354</u>
	<u>5 969 862</u>	<u>5 374 354</u>
Valuations on land are performed every four years. The latest valuation exercise, by independent valuers' is currently in progress.		
12. COUNCILLORS AND MANAGEMENT REMUNERATION		
<i>Councillors</i>		
Mayor's allowance	167 965	189 622
Former Mayor's allowance	200 344	-
Councillors' allowance	1 147 419	1 032 646
Pension fund contributions for councillors	-	-
Telephone and Cellphone allowances	195 947	174 949
Travelling Allowance	491 750	406 019
Other allowances	-	-
	<u>2 203 425</u>	<u>1 803 236</u>
<i>Management</i>		
Municipal Manager	612 256	497 537
Chief Financial Officer	530 942	448 007
Senior Managers	1 486 595	1 387 786
	<u>2 629 793</u>	<u>2 333 330</u>



LEKWA TEEMANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009, (continued)

	2009 R	2008 R (Restated)
12. COUNCILLORS AND MANAGEMENT REMUNERATION (Cont'd)		
<i>Councillors Outstanding Services Accounts</i>		
Clr K. M. Segalo (Mayor)	-	20 162
Clr K. L. Modise (Former Mayor)	30 365	25 422
Clr D. Muller	-	-
Clr I. Mabala	4 260	2 576
Clr R. M. Makodi	9 686	4 046
Clr M. P. Letebele	12 061	7 955
Clr K. L. Duiker	15 865	14 235
Clr K. J. Bojong	21 862	15 779
Clr W. B. Percival	-	-
Clr A. Buys	8 600	950
Clr G. Pencil	4 781	6 713
	107 480	97 838
13. AUDITOR'S REMUNERATION		
Audit fees	-	274 518
14. FINANCE TRANSACTIONS		
To external interest earned or paid		
Interest earned	117 805	247 892
Interest paid	(327 517)	(67 713)
Penalty paid	(1 500)	-
Capital charges debited in operating account:	(211 212)	180 179
Interest		
External	327 517	368 345
Internal	-	-
Redemption		
External	1 021 488	529 273
Internal	-	-
Penalty	1 500	-
	1 350 505	897 618
15. APPROPRIATION		
Appropriation account		
Accumulated surplus : beginning of year (restated)	31 982 711	20 827 963
Accumulated surplus : beginning of year (as previously reported)	17 838 420	17 355 469
Prior year adjustment (Note 26)	14 144 291	3 472 494
Operating surplus for the year	(45 791 409)	(2 989 543)
Accumulated surplus : end of year (restated)	(13 808 699)	17 838 420
Contributions to Approved Funds		
Fixed assets	44 843 239	6 338 602
Contributions to:		
- Capital expenditure	312 617	81 661
- Leave provision	3 083 943	149 185
- Bad debts provision	41 446 679	6 107 756
	44 843 239	6 338 602

LEKWA TEEMANE LOCAL MUNICIPALITY

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009
(continued)**

	2009 R	2008 R (Restated)
16. CASH GENERATED BY OPERATIONS		
Deficit for the year	(45 791 409)	(2 989 543)
Adjustments in respect of previous year's operating transactions		700 901
Appropriations charged against income:	-	81 661
Capital development fund	-	-
Mayors discretionary fund	-	-
Provisions and reserves	-	-
Fixed Assets	-	81 661
Capital charges:	329 017	730 352
Interest and redemption paid:	-	-
to internal funds	-	-
on external loans	327 517	730 352
Penalty paid	1 500	-
Cash received from Investing Activities	(117 805)	(247 892)
Interest paid on bank overdraft	44 405	-
Expenditure charged against provisions & reserves	-	(96 130)
Non operating income	-	(149 185)
Credited to funds	-	(149 185)
Credited to provisions and reserves	-	-
Capital expenditure		
Non operating expenditure	24 288 986	3 853 396
Debited to funds	-	(314 034)
Bad Debts Written-off (Debited to provisions and reserves)	23 588 560	-
Non-cash flow adjustment	700 426	4 167 430
	(21 291 211)	1 883 560
17. (INCREASE)/DECREASE IN WORKING CAPITAL		
Decrease/(Increase) in inventory	136 608	(63 350)
Decrease/(Increase) in debtors	18 963 740	(22 445 743)
Increase in creditors	19 751 535	4 323 022
Increase in provisions	2 936 794	53 055
	41 788 678	(18 133 016)
18. (INCREASE) / DECREASE IN LONG TERM LOANS		
New loans	1 500 000	4 285 997
Loans repaid	(1 021 489)	(529 278)
	478 511	3 756 719
19. (INCREASE) / DECREASE IN EXTERNAL INVESTMENTS		
Investments made	(2 000 000)	(5 970 631)
Investments realised	2 000 000	7 885 979
	-	1 915 348
20. INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash balance at the beginning of the year	(14 549 406)	(4 143 190)
Less: Cash balance at the end of the year	(299 934)	(14 549 406)
Bank Overdraft	(307 319)	(14 557 130)
Cash	7 385	7 724
	14 249 472	(10 406 216)

LEKWA TEEMANE LOCAL MUNICIPALITY

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009,
(continued)**

	2009	2008
	R	R
		(Restated)
21. BANK ACCOUNT DETAILS AND BALANCES		
Bank Details and balances		
Account No. 1810000844 (Absa Bank)	(282 508)	(673 019)
Account No. 181046415 (Absa Bank)	46 394	40 220
Account No. 1810147748 (Absa Bank)	2 553	2 460
	<u>(233 562)</u>	<u>(630 339)</u>

22. GOING CONCERN

The municipality's liabilities exceed assets by R13,808,699, its loss for the period increased from R2,989,543 in the prior period to R45,791,411 in the current year, provision for bad debts increased to R61,959,937 as at the end of the current year, its debtors collection period averaged 690 days and the municipality has been experiencing cash flow challenges. This lead to a number of significant negative effects like incurring interest on all overdue accounts and non-payments or late payment of obligations when they fell due.

The foregoing situation poses a greater doubt on the municipality's ability to realise its assets and discharge its liabilities in the normal course of business.

The municipality, inter alia, is revising its costing systems and has come up with an enhanced revenue measures in place. This is so because the main cause of the challenges are old debt and costing structure. Further, the municipality is working with the involvement of the North West Department of Finance in crafting a recovery plan and/or turn around strategy. This should be implemented during the ensuing financial year.

23. FRUITLESS AND WASTEFULL EXPENDITURE

Interest on arrears	1 518 537	1 708 898
Interest on late payment	836 555	-
Penalty - Early termination of Investment	1 500	-
	<u>2 356 592</u>	<u>1 708 898</u>

Interest on Arrears

The municipality has not been servicing its debt with Development Bank of South Africa (DBSA). As a result of this, DBSA has been charging interest on arrears (at the prevailing interest rates). The amount in arrears (both capital and interest) has been disclosed as Current Liabilities (See Note 3).

Negotiations are in progress with the lender to restructure the loan and other key loan terms. The negotiations should be completed during the ensuing financial year (2009/2010).

Interest on Late Payments

This relates to interest charged on late payments of VAT to SARS and other creditors. Measures have been put in place to avoid these charges in future.

Penalty - Early termination of Investment

The municipality invested money with one of the financial institutions and terminated the investment before maturity. As a result of the early termination, the municipality was charged R1,500 (2008: R -).

All the foregoing were mainly caused by the cashflow challenges that the municipality is currently facing (see Note 23 above). These amounts were approved for write-off by Council (Council Resolution Number 2009/189). The amounts have been included in general expenses.

24. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure		
- Approved and contracted for	15 339 397	-
- Approved but not yet contracted for	5 927 805	13 093 000
	<u>21 267 202</u>	<u>13 093 000</u>

The foregoing capital expenditure will be financed from own sources, existing and new facilities and grants from the national and provincial government. Most of these projects are construction in nature, thus multi-year projects. They therefore, take more than one year to be completed. Further, funds by national and provincial government are disbursed based on the yearly approved project allocations (tranches).

25. RETIREMENT BENEFITS

The last actuarial valuation of the Municipal Pension Funds and the Councillors Pension Fund was done as at 30 June 1999.

LEKWA TEEMANE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009, (continued)

	2009 R	2008 R (Restated)
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26. PRIOR YEAR ADJUSTMENTS/ERRORS

Non-Statutory Reserves

The municipality had a number of non-statutory reserves created to cater for certain approved transactions and/or projects. All of these projects were created in early 2000 and there has been no significant movements in all of the reserves. Council has resolved to abolish the funds/reserves as the municipality has no capacity to proceed with the intended projects and there is no adequate cash resources to back up the reserves. In lieu of the Council Resolution (Number 2009/189), all such reserves, amounting to R17,302,212, were written off against accumulated surplus as at 30 June 2008.

Effect in the Balance Sheet

Net Increase in Debtors	16 253 365	-
Net Increase in Equity	14 144 291	-

Prior year financial statement have been restated to account for the foregoing errors and/or adjustments.

27. CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS

Contingent Liabilities	4 000 000	750 000
Operational Contractual Commitments	2 217 574	-
	<u>6 217 574</u>	<u>750 000</u>

Contingent Liabilities/Assets

(a) The municipality is being sued by one of the foreign mentor for soccer (juniors in the community). This is as a result of the fact that the former mentor was involved in an accident in a municipal vehicle on his way from a sports trip.

The former foreign mentor is suing the municipality for injuries and disabilities allegedly caused by the accident to the value of R4 million. The case is still pending in the local courts. The municipality is disputing the obligation with regards to the said claim. At the moment, the attorney cannot determine the outcome with accuracy.

(b) An application was lodged with the Northern Gauteng High Court by Bloemhof Taxpayers Association to prevent the municipality to cut the electricity supply of the members of the Taxpayers' Association who are paying money in lieu of services into the account of Maree & Bernard Attorneys.

The case is still pending before the court. In the opinion of the municipal attorney, the municipality should be successful in the matter and there are no significant costs likely to emanate from the court process, apart from ordinary legal costs.

Operational Contractual Commitments

The contractual commitments relates to the following:

(a) A contract entered into with the valuator of the municipal properties. The project is jointly funded by the municipality and Development Bank South Africa (DBSA) on 60:40 basis, respectively. The agreement, however, is between the service provider and the municipality and is for the full value.

The project is currently underway and will be completed during the 2010 financial year.

(b) A contract entered into with a registered debt collector. The municipality's contractual obligation will only relate to the amount collected by the debt collector. This is as a result of the fact that, in terms of the agreement, the debt collector will be paid commission on amounts collected on an agreed scale. Due to the nature of the contract, we cannot determine the municipality's exposure to this contract.

The contract was effective in April 2009 and is valid for three years.

(c) A contract entered into with a service provider for the review of the asset register. This is being funded (in full) by dplg through the Municipal Systems Infrastructure Grant (MSIG).

28. POST BALANCE SHEET EVENTS

There were no significant post balance sheet events.

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX A

STATUTORY FUNDS, TRUST FUNDS, RESERVES AND PROVISIONS FOR THE YEAR ENDED 30 JUNE 2009

	Balance at 30 June 2008 R (Restated)	Contributions during the year R	Interest on Investments R	Write - offs R	Expenditure during the year R	Other Adjustments R	Balance at 30 June 2009 R
STATUTORY FUNDS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
There are no Statutory Funds							
TRUST FUNDS							
Finance Management Grant (FMG)	-	500 000	-	-	(386 453)	-	113 547
Fire and Emergency	-	-	-	-	-	-	-
MSP 3	-	-	-	-	-	-	-
Boitumelong Ext 4	(58 849)	-	-	58 849	-	-	-
Utlwanang Housing	(135 740)	-	-	135 740	-	-	-
Municipal Systems Improvement Grant (MSIG)	-	735 000	-	-	(735 000)	-	-
Municipal Infrastructure Grant (MIG)	-	7 139 000	-	-	(7 139 000)	-	-
Utlwanang Library	-	-	-	-	-	1 500 000	1 500 000
	<u>(194 589)</u>	<u>8 374 000</u>	<u>-</u>	<u>194 589</u>	<u>(8 260 453)</u>	<u>1 500 000</u>	<u>1 613 547</u>
PROVISIONS							
Leave Reserve	576 125	-	-	-	2 936 913	-	3 513 038
Crockery Townhall	11 947	-	-	(119)	-	-	11 828
	<u>588 072</u>	<u>-</u>	<u>-</u>	<u>(119)</u>	<u>2 936 913</u>	<u>-</u>	<u>3 524 866</u>
Grand Total	<u>393 483</u>	<u>8 374 000</u>	<u>-</u>	<u>194 470</u>	<u>(5 323 540)</u>	<u>1 500 000</u>	<u>5 138 413</u>

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX B

EXTERNAL LOANS AND INTERNAL ADVANCES FOR THE YEAR ENDED 30 JUNE 2009

Issued	Interest Rate (%)	Loan Number	Redeemable	Balance at 30 June 2008 R	Received during the year R	Redeemed/ Written-off during the year R	Balance at 30 June 2009 R
DEVELOPMENT BANK SOUTH AFRICA (DBSA)				14 956 731	2 737 428	-	17 694 159
1979	15.72	11498	2004	419 861	76 844	-	496 705
1993	15.80	11503	2013	674 545	123 457	-	798 003
1991	16.31	11499	2011	113 475	20 769	-	134 244
1995	13.41	11505	2009	950 355	173 937	-	1 124 292
1995	17.47	11507	2010	798 558	146 155	-	944 713
1995	17.21	11506	2010	6 658 275	1 218 618	-	7 876 893
1985	13.75	11316	2014	2 632 240	481 761	-	3 114 001
1986	13.75	11317	2015	1 327 972	243 050	-	1 571 022
1986	17.25	11318	2015	1 381 450	252 837	-	1 634 287
ABSA BANK				2 464 978	-	(521 488)	1 943 490
2000	15.00	8052840973	2010	323 741	-	(107 398)	216 343
2005	12.35	66623225	2009	38 388	-	(38 388)	-
2004	12.37	65684212	2008	31 342	-	(31 342)	-
2005	12.36	66874910	2008	91 908	-	(91 908)	-
		3022397824		1 832 731	-	(200 055)	1 632 676
2005	11.78	69293269	2010	73 381	-	(26 180)	47 201
2005	17.22	69179571	2010	73 487	-	(26 217)	47 270
Dr Segomotsi Ruth Mompoti District Municipality				-	1 500 000	(500 000)	1 000 000
				17 421 709	4 237 428	(1 021 488)	20 637 649

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX C

ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2009

Expenditure 2008	Service	Balance at 30 June 2008	Expenditure during year	Redeemed, transferred or written off	Balance at 30 June 2009
R		R	R	R	R
1 932 883	RATES AND GENERAL SERVICES	29 220 838	7 134 193	297 418	36 057 613
831 339	Community Services	7 983 729	6 089 894	297 418	13 776 205
134 215	Council General Expenses	957 934	1 971 875	267 929	2 661 880
-	IDP/PMS/LED	-	-	-	-
12 886	Health Services	244 834	-	-	244 834
15 488	Workshop	35 056	-	-	35 056
-	Caravan Park	88 228	-	-	88 228
16 167	Public Works	4 893 020	4 079 927	-	8 972 947
-	Stores	35 253	-	-	35 253
455 140	Town Secretary	555 699	9 515	-	565 214
180 251	Town Treasury	757 122	28 578	8 440	777 260
-	Cemetery	80 107	-	-	80 107
-	Clinic	21 049	-	21 049	-
17 192	Traffic and Licences	315 427	-	-	315 427
1 101 544	Subsidised Services	15 768 635	4 729	-	15 773 364
218 404	Civic Building	3 231 356	4 729	-	3 236 085
-	Fire Protection	6 737 860	-	-	6 737 860
19 172	Library	279 789	-	-	279 789
204 768	Boitumelong	3 554 206	-	-	3 554 206
-	Salamat	68 712	-	-	68 712
-	Swimming Pool	130 290	-	-	130 290
-	Coverdale	410 715	-	-	410 715
-	Parks and Recreation	193 624	-	-	193 624
659 200	Estates	1 162 083	-	-	1 162 083
-	Economic Services	5 468 474	1 039 570	-	6 508 044
-	Cleansing	421 175	-	-	421 175
-	Irrigation	88 197	-	-	88 197
-	Sewerage	4 616 800	1 039 570	-	5 656 370
-	Geluksoord	342 302	-	-	342 302
-	Housing Services	1 519 452	-	-	1 519 452
-	Economic Houses	1 519 452	-	-	1 519 452
7 599	Trading Services	8 887 356	271 383	7 599	9 151 140
7 599	Electricity	5 981 479	271 383	7 599	6 245 263
-	Water	2 905 877	-	-	2 905 877
1 940 482		39 627 646	7 405 576	305 017	46 728 205
LESS: LOANS REDEEMED AND					
2 302 490	OTHER CAPITAL RECEIPTS	36 107 997	7 667 641	1 131 019	42 644 619
362 007	Loans redeemed and advances repaid	9 952 117	422 190	826 952	9 547 355
81 661	Operating Income	1 374 147	312 617	23 629	1 663 135
-	Contributions from Operating Income	100 131	-	-	100 131
1 240 780	Reserves, Grants and subsidies	9 823 775	6 100 323	20 099	15 903 999
-	Public Contribution	2 000	-	-	2 000
508 136	General: Capital	14 745 921	824 598	240 603	15 329 916
109 906	Grants: Insurance	109 906	7 913	19 736	98 083
362 008	Net fixed assets	3 519 649	262 065	(826 002)	4 083 586

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2009

BUDGET 2008	ACTUAL 2008 (Restated)		ACTUAL 2009	BUDGET 2009
R	R		R	R
INCOME				
18 452 050	15 456 153	Grants and Subsidies:	13 820 158.00	28 461 000
17 332 050	14 769 794	Central Government	13 311 158.00	12 031 000
1 120 000	686 359	Provincial Government	-	15 162 000
-	-	Other	109 000.00	868 000
		District Council	400 000.00	400 000
57 023 375	55 112 341	Operating Income	83 323 380.46	88 688 409
5 887 891	5 374 354	Assessments rates	5 969 862.00	6 450 000
17 532 500	18 252 726	Sale of Electricity	20 753 209.00	23 196 000
10 147 500	10 598 265	Sale of Water	13 847 732.00	13 925 500
23 455 484	20 886 996	Other service charges	42 752 577.46	45 116 909
75 475 425	70 568 494	TOTAL INCOME	97 143 538.46	117 149 409
EXPENDITURE				
29 863 593	29 467 133	Salaries, Wages and Allowances	29 844 170.00	34 869 407
41 848 546	41 607 848	General expenses	66 250 571.46	67 664 959
9 600 000	10 476 760	Purchase of Electricity	15 124 423.00	10 500 000
3 435 569	5 622 733	Purchase of Water	6 590 458.00	2 448 000
28 812 977	25 508 355	Other General Expenses	44 535 690.46	54 716 959
4 022 500	2 838 281	Repairs and maintenance	7 344 709.00	4 963 614
3 758 412	2 947 285	Capital Charges	3 484 783.00	4 858 168
61 117	81 661	Contributions of fixed assets	541 498.00	-
6 761 222	6 107 756	Contribution	35 469 217.00	4 401 271
-	-			-
86 315 390	83 049 964	GROSS EXPENDITURE	142 934 948.46	116 757 419
9 812 509	9 491 927	Less: Amounts Charged Out	(12 263 596.00)	(11 339 864)
76 502 881	73 558 037	NET EXPENDITURE	130 671 352.46	105 417 555

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX E

**DETAILED INCOME STATEMENT FOR THE YEAR ENDED
30 JUNE 2009**

2008 Actual Income	2008 Actual Expenditure	2008 Surplus (Deficit)		2009 Actual Income	2009 Actual Expenditure	2009 Surplus (Deficit)	2009 Budget Surplus (Deficit)
R	R	R					
70 568 494	73 558 037	(2 989 543)	RATES AND GENERAL SERVICES	97 143 538	142 934 948	(45 791 409)	3 449 266
21 912 061	21 094 503	817 558	Community services	37 166 731	79 410 222	(42 243 491)	9 662 045
5 374 354	-	5 374 354	Assessment Rates	5 969 862	-	5 969 862	6 450 000
107	150	(43)	Town Secretary	4 273 474	4 285 015	(11 541)	94 350
85 485	353 416	(267 931)	Cemetery	88 191	159 042	(70 851)	(283 086)
5 346 077	7 465 155	(2 119 078)	Council: General Expenses	4 886 159	50 747 655	(45 861 496)	5 725 138
-	614 912	(614 912)	IDP/PMS/LED	-	454 437	(454 437)	(895 254)
692 058	1 401 133	(709 075)	Health Services	149 126	508 672	(359 546)	(86 188)
10 117	7 726 788	(7 716 671)	Public Services	13 200	9 818 619	(9 805 419)	(7 699 946)
-	-	-	Stores	26 716	26 776	(60)	-
6 400 483	1 279 754	5 120 729	Town Treasurer	12 523 695	7 675 737	4 847 957	5 420 148
4 003 380	2 253 195	1 750 185	Traffic & Licences	8 893 672	5 391 634	3 502 038	936 883
-	-	-	Workshop	342 635	342 635	-	-
398 791	3 682 754	(3 283 963)	Subsidised Services	339 821	4 980 689	(4 640 869)	(6 212 779)
133 430	1 153 983	(1 020 553)	Civil Building	198 714	1 763 413	(1 564 698)	(2 059 897)
-	588 302	(588 302)	Fire Protection	-	352 830	(352 830)	(569 258)
1 891	382 298	(380 407)	Library	8 777	517 677	(508 900)	(958 776)
6 504	-	6 504	Pleasure Resort	49 864	-	49 864	7 000
513	905 427	(904 914)	Parks and Recreation	3 463	1 939 477	(1 936 014)	(2 332 772)
-	-	-	Swimming Pool	-	-	-	-
-	579 339	(579 339)	Housing	240	383 897	(383 657)	(537 094)
256 453	73 405	183 048	Estates	78 763	23 396	55 367	238 018
16 435 094	15 644 550	790 544	Economic Services	21 370 585	18 408 992	2 961 594	(4 501 963)
6 233 286	6 058 838	174 448	Cleansing	9 066 848	6 800 013	2 266 835	(321 140)
522 251	435 520	86 731	Irrigation	565 981	519 457	46 523	(56 995)
9 679 557	9 150 192	529 365	Sewerage	11 737 756	11 089 521	648 235	(4 123 828)
19 440	-	19 440	Housing Services	-	-	-	-
19 440	-	19 440	Economic Housing	-	-	-	-
31 803 108	33 136 230	(1 333 122)	Trading Services	38 266 402	40 135 044	(1 868 643)	3 091 253
19 028 292	19 175 385	(147 093)	Electricity	22 279 603	25 083 695	(2 804 092)	897 331
-	-	-	Water DC	-	-	-	-
12 774 816	13 960 845	(1 186 029)	Water	15 986 799	15 051 349	935 449	2 193 922
70 568 494	73 558 037	(2 989 543)	TOTAL	97 143 538	142 934 948	(45 791 409)	3 449 266
		3 472 494	Prior Year Adjustment (See Note 26)			14 144 291	
		(2 989 543)	Net Surplus			(31 647 119)	
		17 355 469	Beginning of the year			17 838 420	
		<u>17 838 420</u>	Accumulated Surplus end of the year			<u>(13 808 699)</u>	

LEKWA TEEMANE LOCAL MUNICIPALITY

APPENDIX F

STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2009

The statistics provided are intended as a guideline, and may change substantially.

1 POPULATION:	BLOEMHOF	31 000
	CHRISTIANA	26 000
2 NO OF DEBTORS	BLOEMHOF	6 730
	CHRISTIANA	4 619
3 NO OF EMPLOYEES		
	BLOEMHOF	146
	CHRISTIANA	112
ASSESSMENT RATES		
RATES	BLOEMHOF	0.25
	CHRISTIANA	
	GELUKSOORD	0.25
	UTLAWANANG/BOITUMELONG	0.25
	COVERDALE/SALAMAT	0.25

	2008/09	2007/08	2006/2007	2005/2006	2004/2005	2003/2004
(A) ELECTRICITY STATISTICS						
(i) NUMBER OF USERS (RESIDENTIAL AND COMMERCIAL) :						
(ii) UNITS BOUGHT / GENERATED :	49 899 734	51 544 464	53 545 609	49 621 011	47 260 049	48 135 527
(iii) UNITS SOLD :	39 406 819	48 460 442	45 149 960	42 439 134	42 654 516	43 244 793
(iv) UNITS LOST IN DISTRIBUTION :	10 492 915	3 084 022	8 395 649	7 181 877	4 605 533	4 890 734
(v) UNITS LOST IN DISTRIBUTION, AS A % OF (ii)	21.03	15.68	14.47	9,74	10,16	9.78
(vi) COST PER UNIT BOUGHT / GENERATED : cent	0.33	17.51	0.33798	0.291	0.278	0.225
(vii) LOSS IN DISTRIBUTION (IV X VI) : R	3 462 661	14 700 078	2 427 330	1 340 210	1 359 624	1 168 118
(viii) COST PER UNIT SOLD (OPERATING EXPENDITURE ÷ iii) : cent	0.640	0.413	0.370	0.269	0.310	0.028
(ix) INCOME PER UNIT SOLD (OPERATING INCOME ÷ iii) :	0.650	0.411	0.324	0.365	0.348	0.311
(B) WATER STATISTICS						
(i) NUMBER OF USERS (RESIDENTIAL AND COMMERCIAL) :						
(ii) UNITS PURIFIED :	3 416 899	4 415 510	3 574 607	3 262 714	3 170 033	3 366 767
(iii) UNITS SOLD :	2 666 861	3 334 649	3 233 036	3 036 024	2 810 864	3 070 090
(iv) UNITS LOST IN DISTRIBUTION (ii - iii) :	750 038	1 080 861	341 571	226 690	359 169	296 677
(v) UNITS LOST IN DISTRIBUTION, AS A % OF (ii)	21.9 5 0	32	10	7	11	8,81
(vi) COST PER UNIT BOUGHT / PURIFIED : R	2.1 9 0	3	1	2	3	3
(vii) LOSS IN DISTRIBUTION (IV X VI) : R	153 383	3 415 521	485 030	35 817	955 389	753 559
(viii) COST PER UNIT SOLD (OPERATING EXPENDITURE /)R	5.64 0	4	3	4	4	3
(ix) INCOME PER UNIT SOLD (OPERATING INCOME ÷ iii) : R	5.9 9 0	4	1	3	3	3

(C) SUNDRY STATISTICS		
1 TOTAL NUMBER OF INDIGENTS		4 917
2 TOTAL NUMBER OF RDP HOUSES BUILT		-
3 TOTAL NUMBER OF AVAILABLE STANDS		264